ICRIER

October - December 2009

Research Digest

Working Paper No. 243

(http://www.icrier.org/publication/working_papers_243.html)

Japan's Foreign Direct Investment Experiences in India: Lessons Learnt from Firm Level Surveys

Srabani Roy Choudhury

December 24, 2009

Ever since India decided to globalise, concentrated efforts were made to attract Japanese participation through foreign direct investment. However, the response from Japan has been rather subdued. This paper attempts to gain some insight into the reluctance of Japanese investors by studying the experiences of eight firms, which are either subsidiaries or joint ventures of Japanese companies. The companies that were studied are YKK, Honda Siel Pvt. Ltd, Sona Koyo Steering, Kyocera Wireless India Ltd, Mitsubishi Chemical Corporation PTA India (MCC PTA), Toyota Kirloskar Motor Ltd, Satake India Engineering Ltd and Eisai Pharmaceutical Pvt. Ltd.

The study revealed that Japanese companies have a long-term orientation with a strong commitment to 'quality' and 'the customer'. They try to fulfil this commitment by embedding the Japanese style of management into their operations. Among other factors, Japanese firms seek trust in their partner and each of the companies that have a joint venture in India spent a long time in deciding about the partnership. Labour unions are no longer viewed as a threat, as the Japanese have realised that a humane approach to labour guarantees harmony. The skill gap at the lower end of the employee order is a concern and the Japanese have responded to this by actively participating in skill enhancement. In the telecommunications and pharmaceutical sectors, India has become a potential destination for R&D activity because of its cheap, knowledgeable and capable talent pool. Kyocera and Eisai have taken steps to take advantage of this opportunity. Though there are obstacles that continue to impede smooth operations, the Japanese firms that were studied have acquired a greater understanding of the Indian market. The Indian government has also put into place investor friendly policies, thus contributing to the success of these firms in their Indian operations. The achievements of these firms show that many of the perceptions about investing and operating in India are unfounded and/or outdated. The success stories of these companies should help attract more Japanese firms into India.

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India-Korea Trade and Investment Relations

Pravakar Sahoo, Durgesh Kumar Rai and Rajiv Kumar

December 22, 2009

Though economic relations between India and Korea have been strengthening, the current size of trade and investment between the two countries is relatively low, compared to the size and structural complementarities of the two economies. This paper analyses trade and investment relations and explores future areas of potential co-operation between India and Korea. Increased merchanise trade merchandise trade between the two countries has been mainly because of the changing demand structure and comparative advantages of both the economies in complementary sectors in recent years. The Revealed Comparative Advantage (RCA) analysis, at both the aggregated and disaggregated levels, shows that while Korea has been specialising in a few, high value-added manufacturing products, India's exports have been more diversified. The analysis also indicates that both the countries have comparative advantages in different products in the same industry, revealing the opportunity for intra-industry trade (IIT). Moreover, the increasing trade complementarity index (TCI) shows that Indian and Korean trade gradually has become more compatible over time, indicating that any agreement between the two countries is likely to enhance trade flows. The trade intensities between the two countries reveal that Korea is doing much better in terms of export intensity with India while there is scope for India to improve its export intensity with Korea. The study also suggests the areas which offer substantial scope for increased investment and technological collaboration between the two countries. Further, there is huge potential for trade in services such as information technology, science and technology, pharmaceutical industry, broadcasting, tourism, healthcare and human resource development. The removal of tariff and non-tariff barriers, especially sector specific barriers, will give a major boost to bilateral trade and investment relations.

Working Paper No. 241
(http://www.icrier.org/publication/working_papers_241.html)

The State of the Indian Economy 2009-10

Mathew Joseph, Karan Singh, Pankaj Vashisht, Dony Alex, Alamuru Soumya, Ritika Tewari and Ritwik Banerjee

October 23, 2009

Despite signs of recovery from the global financial crisis, the GDP growth rate for the Indian economy is likely to be between 5.8 to 6.1 per cent in 2009-10, below the 6.7 per cent recorded in fiscal 2008-09. While there has been an improvement in Indian industry, particularly the manufacturing sector, the adverse impact of the fall in kharif production due to a rainfall deficiency will act as a drag on the overall growth of the economy. In the current financial year, the major policy challenges for the government will come from the rather sharp rise in inflation and deteriorating public finances. The balance of payments situation may also require policy attention despite a narrowing of the current account deficit and a considerable capital account surplus because of the appreciation of the rupee.

Notes

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